

Message Text

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ACTION XMB-04

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FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 4823

UNCLAS TAIPEI 1973

PASS EXIM BANK

E.O. 11652: N/A

TAGS: EFIN, BPRO, TW

SUBJECT: FCIA CREDIT INSURANCE COVERING SALE OF

416 X 2 LOOMS BY ROCKWELL INT. TO TONG YUE

TEXTILE COMPANY

REF : STATE 076932 OF APRIL 1975

1. FINANCIAL SITUATION OF TONG YUE TEXTILE CO.:
THE IJPHAL#TRUST OF CHINA (CTC), UPON REQUEST,
FURNISHED EMBASSY WITH TONG YUE'S BALANCE SHEET AS
OF JUNE 30, 1974. SAID BALANCE SHEET HAS BEEN
AUDITED BY CTC. LATER FINANCIAL DATA NOT YET
AVAILABLE. FOLLOWING ARE HIGHLIGHTS (ALL FIGURES
ARE EXPRESSED IN NT\$ MILLION). CURRENT ASSETS
TOTALLED 349 (OF WHICH 69 PERCENT IN INVENTORY AND PRE-
PAYMENTS) AND REPRESENTED 1.16 TIMES CURRENT LIABILITIES.
QUICK ASSETS OF 107 SHOWED A LOW 0.36 QUICK RATIO.
SHORT TERM BANK LOANS CONSTITUTE 82 PERCENT OF CURRENT
LIABILITIES; REST MADE UP OF TRADE BILLS AND ACCRUALS.
PLANT EQUIPMENT NET OF DEPRECIATION TOTALLED 215 AND
LONG TERM LIABILITIES 147. VALUATION BASES FOR
FORMER NOT MENTIONED NOR WHETHER ALL WERE PLEDGED AS
SECURITIES FOR LATTER. GRAND TOTALS OF ALL ASSETS
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AND LIABILITIES WERE 600 AND 474, RESPECTIVELY;

HENCE LOW EQUITY/ASSET RATIO OF 0.21 AND HIGH DEBT/
EQUITY RATIO OF 3.8. NET INCOME FOR FIRST HALF 74
WAS 8 PRESUMABLY NET OF TAX. INFORMATION ON PURCHASE
COMMITMENTS AND SALES ORDERS WAS NOT DISCLOSED.

2. STATE OF TEXTILE INDUSTRY IN TAIWAN: ACCORDING
TO HUANG SHU-HSING, CHIEF, FOURTH DIVISION (TEXTILES)
OF INDUSTRIAL DEVELOPMENT BUREAU, TAIWAN'S TEXTILE
INDUSTRY, WHICH HAS DEVOTED APPROXIMATELY 90 PERCENT OF ITS
PRODUCTION TO EXPORTS, SUFFERED CONSIDERABLE FALLING
OFF OF FOREIGN ORDERS IN 1974, HENCE PRECARIOUS
FINANCIAL SITUATION PREVAILED AMONG MOST TEXTILE
MILLS THROUGHOUT SECOND HALF OF YEAR. HOWEVER,
EXPORT SALES BEGAN TO REVIVE SINCE EARLY 1975 BUT
PACE OF RECOVERY VERY SLOW AND AT NO APPRECIABLE
RISE IN PRICES. IN HUANG'S OPINION, EACH MILL'S
ABILITY TO RESUME SERVICING FOREIGN DEBTS DEPENDS
TO A LARGE EXTEND ON SIZE OF EACH ONE'S COMMITMENT
TO FORWARD PURCHASE OF RAW COTTON EARLY IN 1974 AT
THEN VERY HIGH PRICES. THOSE LESS COMMITTED CAN MORE
QUICKLY COME OUT OF FINANCIAL DIFFICULTIES. HUANG
DOES NOT KNOW OFFHAND SUCH PURCHASE COMMITMENT OF
TONG YUE.
UNGER

NOTE BY OC/T: #AS RECEIVED.

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